



80 South Jefferson Road • Whippany, NJ 07981

John Ricker
Director
Universal Service Program Support

May 1, 2003

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S W
Room TW-A235
Washington, D. C. 20554

RE: TRS Fund Administration
CC Docket No. 98-67

Dear Ms. Dortch:

In accordance with 47 C.F.R. § 64.604 (c)(5)(iii)(H), enclosed are the original and four (4) copies of the National Exchange Carrier Association, Inc.'s Annual Submission of TRS Payment and Revenue Requirements, for July 2003 – June 2004.

Acknowledgment and date of receipt of this letter is requested. A duplicate copy has been provided for that purpose.

Sincerely,

Enclosures

cc: Eric Einhorn, Wireline Competition Bureau
Sharon Webber, Wireline Competition Bureau
William Hill, Wireline Competition Bureau
Andy Firth, Wireline Competition Bureau
James Lande, Wireline Competition Bureau
Les Selzer, Wireline Competition Bureau
Tim Peterson, Office of the Managing Director
Margaret Egler, Consumer and Governmental Affairs Bureau
Warren O'Hearn, Consumer and Governmental Affairs Bureau
Thomas Chandler, Consumer and Governmental Affairs Bureau
Cheryl King, Consumer and Governmental Affairs Bureau
Greg Hlibok, Consumer and Governmental Affairs Bureau
Qualex International

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Voice: 973-884-8085
Fax: 973-560-4434
E-mail: jricker@neca.org

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List ABOVE

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served this 1st day of May, 2003, by mailing copies thereof by United States Mail, first class postage paid, by express mail, or by hand delivery, to the persons listed below.



Maripat Brennan

The following parties were served:

Marlene H. Dortsch*
Office of the Secretary
445 Twelfth St., SW
Room TW-A325
Washington, DC 20554
(Original and four copies)

Margaret Egler*
Consumer & Governmental Affairs Bureau
Federal Communications Commission
445 Twelfth St., SW
Washington, DC 20554

Eric Einhorn*
Wireline Competition Bureau
Federal Communications Commission
445 Twelfth St., SW
Washington, DC 20554

Thomas Chandler*
Consumer & Governmental Affairs Bureau
Federal Communications Commission
445 Twelfth St., SW
Washington, DC 20554

Sharon Webber*
Wireline Competition Bureau
Federal Communications Commission
445 Twelfth St., SW
Washington, DC 20554

Warren O'Hearn*
Consumer & Governmental Affairs Bureau
Federal Communications Commission
445 Twelfth St., SW
Washington, DC 20554

Andy Firth*
Wireline Competition Bureau
Federal Communications Commission
445 Twelfth St., SW
Washington, DC 20554

Cheryl King*
Consumer & Governmental Affairs Bureau
Federal Communications Commission
445 Twelfth St., SW
Washington, DC 20554

William Hill*
Wireline Competition Bureau
Federal Communications Commission
445 Twelfth St., SW
Washington, DC 20554

Greg Hlibok*
Consumer & Governmental Affairs Bureau
Federal Communications Commission
445 Twelfth St., SW
Washington, DC 20554

James Lande*
Wireline Competition Bureau
Federal Communications Commission
445 Twelfth St., SW
Washington, DC 20554

Tim Peterson*
Office of the Managing Director
Federal Communications Commission
445 Twelfth St., SW
Washington, DC 20554

Les Selzer*
Wireline Competition Bureau
Federal Communications Commission
445 Twelfth St., SW
Washington, DC 20554

Qualex International*
445 Twelfth St., SW
Room CY-B402
Washington, DC 20554

* Hand delivered

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of:

Telecommunications Services for
Individuals with Hearing and
Speech Disabilities, and the
Americans with Disabilities Act
of 1990

CC Docket 98-67

Interstate Telecommunications Relay Services Fund

Payment Formula and Fund Size Estimate

National Exchange
Carrier Association, Inc.
80 South Jefferson Road
Whippany, NJ 07981
May 1, 2003

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of:)	
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Telecommunications Services for)	
Individuals with Hearing and)	CC Docket 98-67
Speech Disabilities, and the)	
Americans with Disabilities Act)	
of 1990)	

**Payment Formula and Fund Size Estimate
Interstate Telecommunications Relay Services (TRS) Fund
for July 2003 through June 2004**

I. Introduction

The National Exchange Carrier Association, Inc. (NECA) submits the Telecommunications Relay Services (TRS) provider payment formulas, fund size estimate and carrier contribution factor for the period July 2003 through June 2004, in accordance with section 64.604 of the Federal Communications Commission's (FCC or Commission) rules.¹ NECA is a not-for-profit corporation responsible under Subpart G of the Commission's Part 69 rules for administering interstate access charge pools for participating local exchange carriers (LECs) and the TRS Fund.²

As described *infra*, based on cost and demand projections from the providers of the various TRS services, NECA is proposing a decrease for each of the per minute compensation levels for relay. However, because of projected increases in demand for the relay services, the funding requirement projection is significantly higher than the current funding period and, because of a reduction in the interstate revenue base used to

¹ 47 C.F.R. §64.604 (c)(5)(iii)(H).

² See Telecommunications Relay Services, and the Americans with Disabilities Act of 1990, CC Docket No. 90-571, Third Report and Order, 8 FCC Rcd 5300 (1993) (TRS III). TRS III modified and adopted certain rules regarding TRS interstate shared funding that were proposed in an earlier Commission Order on Reconsideration, Second Report and Order, and Further Notice of Proposed Rulemaking, 8 FCC Rcd 1802 (TRS II). See Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, CC Docket No. 90-571, Order on Reconsideration, Second Report and Order, and Further Notice of Proposed Rulemaking, 8 FCC Rcd 1802 (1993) (TRS II).

fund the program, NECA is seeking an increase to the carrier contribution factor from 0.00080 to 0.0017.

Upon approval by the Commission of the proposed carrier contribution factor of 0.0017, the fund size requirement of \$131.8 million, and the provider reimbursement rates for traditional TRS, Internet Protocol Relay Service (IP), Speech-to-Speech Service (STS) and Video Relay Service (VRS), NECA will begin billing carriers and distributing funds to relay service providers July 1, 2003.³ The proposed payment amounts are expected to remain in effect through June 30, 2004.

II. Interstate TRS Fund

The TRS Fund is designed to compensate eligible providers for the costs of furnishing interstate traditional TRS and STS, and intrastate and interstate VRS and IP.⁴ Fund distributions to providers are made on the basis of payment formulas initially computed by NECA in accordance with Commission rules and then approved or modified by the Commission. The 2003 - 2004 payment formula for traditional TRS and IP is based on an average of projected completed monthly interstate TRS minutes of use, including international minutes, and all projected completed monthly IP minutes, excluding international,⁵ and their projected costs.⁶ For STS, the 2003 - 2004 formula is

³ The Commission adopted shared funding as the method for interstate cost recovery in TRS II, proposing at that time that NECA be named administrator of the interstate TRS Fund. See TRS II at ¶¶ 2 and 27. TRS III designated NECA as administrator for a two-year period. See TRS III at ¶ 7. In its 1995 fund administrator order, the Commission extended NECA's term as administrator for four additional years until July 23, 1999. See Appointment of the Telecommunications Relay Services (TRS) Fund Administrator and Composition of the TRS Advisory Committee, CC Docket No. 90-571, Memorandum Opinion and Order, 10 FCC Rcd 7223 (1995). In 1999, the Commission again extended NECA's term as administrator until July 25, 2003. See Appointment of the Telecommunications Relay Services (TRS) Fund Administrator and Composition of the TRS Advisory Committee, CC Docket No. 90-571, Memorandum Opinion and Order, 14 FCC Rcd 10553 (1999).

⁴ Eligible providers are defined as (1) TRS facilities operated under contract with and/or by certified state TRS programs pursuant to section 64.605; or (2) TRS facilities owned by or operated under contract with a common carrier providing interstate services pursuant to section 64.604; or (3) interstate common carriers offering TRS pursuant to section 64.604. See 47 C.F.R. § 64.604 (c)(5)(iii)(F).

⁵ In April 2002, The Commission clarified that IP Relay falls within the statutory definition of TRS, and therefore, such services are eligible to recover their costs from the interstate TRS fund. On an interim basis, the Commission allowed recovery of all costs of provided IP Relay from the interstate fund because, at this time, there is no automatic means to determine whether an IP Relay minute is intrastate or interstate. In its Second Further Notice of Proposed Rulemaking, the Commission requests comments on whether this interim measure should be permanent. See Provision of Improved Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, Petition for Clarification of WorldCom, Inc., CC Docket No. 98-67, Declaratory Ruling and Second Further Notice of Proposed Rulemaking, FCC 02-121 (rel. April 22, 2002).

⁶ The Commission defined payable (for purposes of interstate cost recovery) TRS minutes of use as minutes "for completed interstate TRS calls placed through the TRS center beginning after call set-up and concluding after the last message call unit". See 47 C.F.R. § 64.604 (c)(5)(iii)(E).

based on projected completed monthly interstate minutes of use and projected costs for 2003 – 2004. The formula for VRS is based on all projected completed monthly minutes of use and costs for 2003 and 2004.⁷ NECA's formula development is shown in Section III, *infra*.

The Commission's shared-funding mechanism for the Interstate TRS Fund ensures that the costs of meeting TRS obligations are borne equitably. The fund requires contributions from all interstate telecommunications common carriers, based on each carrier's percentage of end user interstate revenues obtained from the provision of certain interstate telecommunications services.⁸ The annual TRS funding period commences July 1 and ends June 30. Annual contributions are due July 26th; carriers who owe contributions of \$1,200 or more may pay in twelve equal monthly installments, due on the 26th of each month.

III. Cost and Formula Development

TRS providers continue to be a diverse group. Services are offered by: large interstate interexchange carriers, large and small local exchange carriers, and for-profit and not-for-profit organizations. Typically, TRS has been offered by common carriers under contracts to states, which may or may not have provided for interstate TRS prior to July 26, 1993 (the effective date for interstate TRS funding). Despite the variations in types and sizes of TRS operations, NECA has employed measures that bring consistency to the process of collecting and analyzing TRS data. These measures result in reliable estimates of the size of the fund and payment formulas that are reasonably accurate reflections of average costs to provide interstate traditional TRS, interstate STS, and intrastate and interstate VRS and IP nationwide.

⁷ Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CC Docket No. 98-67; Report and Order and Further Notice of Proposed Rulemaking, 15 FCC Rcd 5140 (2000) (March 6th Order), and Order on Reconsideration, 16 FCC Rcd 4054 (2001) at ¶ 24.

⁸ In its streamlined contributor reporting requirements order, the Commission adopted rules requiring every carrier providing interstate telecommunications services to contribute to the TRS Fund on the basis of its relative share of interstate end user revenues. See 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Services, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, CC Docket No. 98-171, Report and Order, 14 FCC Rcd 16602 (1999). These contributions are made by carriers offering interstate services including, but not limited to, cellular telephone and paging; mobile radio; operator services; personal communications service (PCS); access (including subscriber line charges); alternative access and special access; packet-switched; WATS; 800; 900; message telephone service; private line; telex; telegraph; video; satellite; intraLATA; international and resale services. See 47 C.F.R. § 64.604 (c)(5)(iii)(A).

TRS providers submitted to NECA certain cost and demand (minutes of use) data in response to a request mailed by NECA to all interstate TRS providers on November 22, 2002.⁹ While TRS providers typically are not subject to the Commission's Part 32 rules (Uniform System of Accounts), NECA requested that cost data be submitted using functional accounting guidelines based on the relevant Part 32 accounts to assure consistency among providers' reported data. NECA supplied TRS providers with the necessary account descriptions as a guide to reporting expense data.¹⁰

In the November 2002 data request, NECA requested cost and demand data on traditional TRS, IP, STS and VRS. From the resulting data submissions, NECA developed projections of total IP and interstate TRS costs, average costs per minute, TRS and IP demand, and the total TRS and IP fund requirement for July 2003 through June 2004. For STS, NECA developed projections of interstate costs, average cost per minute, demand, and the total STS fund requirement for the period. NECA also developed projections of total nationwide, intrastate and interstate VRS costs, average VRS cost per minute, intrastate and interstate VRS demand, and the VRS fund requirement for July 2003 through June 2004. Fund administration expenses, an allowance for uncollectibles, and a potential funding requirement were added to the result, producing the total projected interstate TRS and STS and intrastate and interstate VRS and IP fund size.

Cost data reported by TRS providers consisted of TRS actual costs for 2001, annualized actual costs for 2002, and estimated costs for 2003 and 2004. NECA analysis found some disparities between levels of expenses within account categories. NECA investigated these when the disparity between similarly configured providers seemed unusual, or when expenses fell out of range with similar reported expenses in general. Providers were contacted to resolve questions of data accuracy, potential errors or omissions, and other exceptions. Discrepancies were resolved before the data was used.

⁹ A copy of NECA's data request is included with this filing as Appendix A.

¹⁰ In TRS III the Commission directed the administrator to "fashion a form . . . consistent with Parts 32 and 36 procedures . . . to meet the needs of TRS providers who would otherwise not be subject to Part 32 . . ." (TRS III at ¶¶ 13-14, and 30). NECA's November data request (as shown in Appendix A) supplied thorough instructions, including detailed descriptions of accounts that closely track Part 32 definitions. NECA's review process showed that TRS providers followed these instructions. NECA concludes, therefore, that this process resulted in a collection of TRS cost and demand data consistent with the Commission's rules.

With two years experience in the provision of STS, providers are able to submit more comprehensive cost and demand data. STS appears to be moving toward the traditional TRS structure but NECA believes that the costs and demand are still different enough to warrant a separate rate structure for STS, particularly in light of the differing nature of the service provided by the communications assistant, i.e., communication of a speech conversation versus communication of a text conversation.

For the 2003 – 2004 fund period, new VRS providers submitted cost data and existing providers are implementing new VRS centers. VRS exhibits significant differences from the cost characteristics of traditional TRS services. Because of these differences, NECA continues to provide a separate per minute rate for VRS.

VRS utilizes a platform that is significantly different from the other relay services and is dependent upon sign language interpreters in lieu of communications assistants. Unlike traditional TRS, the Commission is providing funding from the interstate fund for VRS on an interim basis for calls that are jurisdictionally intrastate as well as interstate, and the service itself is not mandatory for TRS providers. This interim arrangement appears to have an impact on the level of per minute compensation. Providers of VRS have informed NECA that, because there is no “guarantee” that funding for the service will continue, equipment costs have not been amortized over a period of time. As a result, the per-minute compensation rate fully reflects the cost of new equipment added to provide this service. In addition, providers have included levels of profit that they believe are compensatory with the associated risk of providing a service that may not be funded (either totally or partially) in the future.

Since many TRS providers are not subject to the Commission's separations rules, they do not perform studies to allocate costs (and thus develop interstate costs) between the intrastate and interstate jurisdictions. In TRS III, the Commission observed that its Part 36 separations' rules prescribe "minutes of use" as the allocator for operator services (the telecommunications function most closely approximating the principle function of TRS).¹¹

NECA believes that minutes of use continue to be a practical and logical cost allocator for determining interstate TRS and STS costs as well as intrastate and interstate

¹¹ TRS III at ¶ 13.

VRS and IP. For interstate TRS and STS, once the relationship of a center's interstate minutes to its total minutes (interstate factor) is known, a usage-based factor may be applied to total center costs to determine the interstate center costs. This provides a reasonable and practical simulation of Part 36 separations procedures.¹² Demand data reported by TRS, STS, IP and VRS providers consisted of actual annual demand for 2001, annualized demand for 2002, and estimated demand for 2003 and 2004.

The demand data included local, intrastate, interstate and international usage. Minutes of use associated with calls placed to toll free numbers (i.e., 800/888) and 900 numbers are also included in the data projections.¹³ TRS providers have informed NECA that they are unable to identify the jurisdiction of calls placed to toll free numbers, because the calling party is not billed for these calls. As a result, for TRS and STS providers must estimate the interstate usage associated with these messages.

Recognizing that some portion of calls placed to toll free numbers is interstate in nature and eligible for reimbursement from the interstate fund, NECA sought guidance in establishing a methodology for all providers to use to determine their interstate toll free minutes from the Interstate TRS Advisory Council at its September 1996 meeting.

The Advisory Council recommended that, for the 1996 and future filings, NECA develop a factor for the TRS centers based on the relationship of TRS interstate and international billed minutes to TRS interstate, international, and intrastate toll minutes that are billed to the calling party. Based on this methodology, NECA developed a factor of 51 percent interstate to be applied to total toll free traditional TRS and STS minutes for July 2002 through June 2003.¹⁴ This surrogate was used by all TRS providers to report their interstate toll free minutes to the fund for compensation for the period.

To determine the interstate demand for the 2003 – 2004 funding period, NECA used the same methodology to develop the toll free allocation factor, however, NECA

¹² The costs of providing interstate TRS do not vary significantly from the costs of providing intrastate TRS. The service provided (i.e., transliteration of TTY text to speech and *vice versa*) is essentially the same, regardless of whether a call is made across the street or across the nation.

¹³ For most TRS providers, the data submitted in the 1996 TRS center data request represented their initial reporting of toll free minutes.

¹⁴ As was the case with the 1996 submission, this factor was developed using the data for large providers accounting for approximately two-thirds of the minutes processed by all TRS centers. The factor used in the 1998 submission was 64%.

noted a significant shift in projected interstate minutes from traditional TRS to IP. While it is likely that the jurisdiction of the calls has not changed, the art of developing an accurate factor becomes less accurate. Calls placed using Internet protocol exhibit many of the same characteristics to the relay provider as calls placed to toll free numbers. That is, the relay provider is unable to identify the jurisdiction of the call and the associated minutes of use. Because it is not possible to jurisdictionally identify IP minutes, it is not possible to develop a factor using the IP data either. NECA recommends freezing the factor at 51% interstate for the 2003 – 2004 funding period; the interstate minutes of use included herein reflect this methodology.

Since TRS providers have the same problem of being unable to identify the jurisdiction of calls placed to 900 numbers, NECA has used the same surrogate in estimating interstate usage associated with these messages. TRS and STS providers should use the factor of 51 percent interstate to report their 900 number call minutes to the fund for compensation.

No allocation of toll free or 900 minutes is necessary for VRS or IP; the interstate fund pays for all intrastate and interstate minutes.

A traditional TRS cost per minute of use for each center was calculated as follows: projected total 2003 TRS costs were divided by projected total 2003 TRS minutes, and projected total 2004 TRS costs were divided by projected total 2004 TRS minutes. Exhibit 1A displays these calculations. The resulting individual center cost per minute for 2003 and 2004 was multiplied by that center's estimated 2003 and 2004 interstate minutes (including international minutes, the interstate allocation of toll free and 900 number minutes), to produce interstate costs by TRS center for each year. Individual center interstate costs were summed, as were individual demand projections.

To calculate the cost of IP per minute for each center, projected total 2003 IP costs were divided by projected total 2003 IP minutes excluding general assistance and international minutes, and projected total 2004 IP costs were divided by projected total 2004 IP minutes excluding general assistance and international minutes. Those calculations are displayed in Exhibit 1B. Individual center costs were summed, as were individual demand projections. Traditional TRS and IP totals were then combined to determine the reimbursement rate for traditional TRS interstate and international minutes and all IP minutes, except international.

Because the fund year consists of the last six months of one year and the first six months of the following year, a national average cost per minute of use covering this twelve-month period had to be developed. Cost and demand totals for 2003 and 2004 were summed and then divided by two to obtain an average of the two years. Then, the average costs were divided by the average minutes to determine the cost per minute for July 2003 through June 2004. Exhibit 1C displays the formula and national average cost per minute for interstate traditional TRS and for IP, using the aggregate data assembled by NECA.¹⁵

The formula and national average cost for interstate STS was calculated in the same manner as interstate traditional TRS; exhibit 1D displays the formula and national average cost per minute for that service. For VRS, the methodology is basically the same but all projected costs and minutes are taken into account, not just interstate. Exhibit 1E displays the formula and national average cost per minute for VRS.

The average interstate TRS and all IP payment formula, based on demand and revenue requirement projections for July 2003 through June 2004, as calculated by NECA, is proposed to be \$1.359 per interstate minute of use, as compared to the present rate of \$1.528, a reduction in the per minute rate of approximately 11 percent. Nationwide interstate demand for traditional TRS and IP for the period July 2003 through June 2004 is projected to be 57.5 million minutes, an increase of almost 40 percent over the current funding year. Despite the eleven percent decrease in the per minute rate, the demand projected for the period July 2003 through June 2004 produces a funding requirement of \$78.2 million, an increase over the current fund requirement of approximately 24 percent.

For STS, the average payment formula is proposed to be \$2.445 a reduction of approximately 40 percent from the current per minute compensation level of \$4.045. Projected volumes of 138 thousand represent a reduction in projected demand of approximately 35 percent. The interstate STS revenue requirement is projected to be \$338 thousand for the period, some 65 percent less than the projected funding requirement for STS in the current fund year. The average payment formula for VRS is proposed to be \$ 14.644, approximately 14 percent lower than the current rate of \$17.044.

¹⁵ Exhibit 2 details actual fund performance and future performance projections based on actual performance.

However, projected volumes are 2.4 million minutes, more than double the projection for the current fund year. The resulting projected VRS revenue requirement is \$ 35.6 million, approximately twice the requirement for the current fund year.

NECA administrative expenses are estimated to be approximately \$550 thousand for the July 2003 – June 2004 funding period, including the TRS Advisory Council meeting costs. Prior to the 2000 – 2001 funding period, carriers paid their annual TRS contributions when they reported their revenue on the FCC Form 431. With the advent of the new revenue reporting form in 2000, the FCC Form 499A, NECA now bills carriers for their contributions to the TRS Fund. All NECA expenses associated with TRS are accounted for on a "keep-cost" basis and charged only to the TRS Fund.¹⁶ (NECA's annual expenses incurred for operation of the TRS Fund are summarized monthly for the period from April 2002 – March 2003 in Exhibit 3.)¹⁷ NECA's projection of interest on invested TRS funds for the July 2003 – June 2004 period is \$0.7 million.

Although NECA collects TRS providers' minute forecasts for the next two years and those forecasts are used to develop the rate calculation, NECA uses actual historical growth data to estimate the size of the interstate TRS Fund for traditional TRS. NECA assumes that historical growth rate is a more accurate forecast of traditional TRS 2003 - 2004 minutes and has used -0.012 percent decline per month for the traditional TRS 2003 - 2004 forecast. Even with the addition of two new relay service providers in late 2003, traditional TRS minutes continue to decline due to the use of new technologies (e.g., IP Relay, VRS, and non-relay technologies) by the hearing disabled community. IP minutes, on the other hand, are growing substantially. Because there is little historical data for IP, NECA used a combination of the growth in IP minutes since the inception of funding for the service in April 2002 and the providers' projections for 2003 and 2004 for the IP projection. IP growth is forecast to be 0.023 per month for the funding period.

¹⁶ NECA keeps account of its expenses using a Commission-approved Cost Allocation Manual (CAM). Direct and indirect TRS expenses incurred by NECA are separately identified according to CAM procedures. Interest Income associated with TRS is also separately identified. NECA's TRS expenses will be recovered only from the TRS Fund, and before TRS funds are disbursed. NECA files CAM revisions with the Commission to reflect TRS cost allocation procedures. See 47 C.F.R. § 64.604(c)(5)(iii)(H).

¹⁷ Included in the administrative expenses was some \$12,000 associated with the required audit of NECA's TRS operation performed by an external audit firm. NECA's administrative expense projection for the 2003 - 2004 fund includes projected expenses associated with this external audit requirement.

For STS for the 2003 – 2004 period, NECA is using the same growth rate, 0.0365 per month, used for 2002 – 2003. Growth is slow but appears steady in the late 2002 time period. NECA's forecast of 138 thousand minutes is about 52 thousand more than the providers' projection, but less than the 2002 – 2003 fund projection.

Because VRS has only one year's historical data available at this time, NECA used a combination of the providers' 2003 – 2004 forecasts and the 2002 growth to develop the fund size requirements for that service. NECA used a projected growth rate of 0.025 per month for VRS. VRS projected minutes for 2003 – 2004 increased significantly over the 2002 – 2003 projection. For most of 2002, two VRS providers offered the service. Two new providers have initiated service since December and three others provided projections for 2003 – 2004. Four centers projected in 2002 – 2003 have increased to at least 10 for 2003 – 2004. VRS costs make up 27 percent of the 2003 – 2004 total fund requirement, up from 19 percent for 2002 – 2003.

As detailed in Exhibit 4, the TRS Fund size including traditional TRS, IP, STS and VRS, NECA administrative expenses, and the allowance for uncollectibles is projected to be \$ 131.8 million for the July 2003 through June 2004 funding period. A potential funding requirement of \$6.4 million has been included to cover a pending petition for limited reconsideration filed with the Commission by one of the relay providers.¹⁸

To calculate the contribution factor for the TRS Fund, NECA uses the carriers' interstate and international end user revenue reported on the FCC Form 499-A annually on April 1 and provided to us by the Data Collection Agent. Industry reported interstate and international 2002 revenue of \$77.5 billion is 3 percent less than the 2001 revenue used to establish the current contribution base.

As part of the factor calculation, NECA reduces the funding requirement by the projected surplus in the fund for the current period. In 2001, the surplus amounted to \$ 26 million, reducing the requirement by almost 30 percent. At the end of the current funding period, because of significant growth in demand for IP and VRS, there is no substantive balance to reduce the 2003 – 2004 fund requirement.

¹⁸ Sprint filed a Petition for Limited Reconsideration on April 24, 2003, seeking reimbursement for IP relay minutes that it handled between June 2002 and the release on March 14, 2003 of Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CC Docket No. 98-67, Order on Reconsideration, FCC 03-46, 68 FCC Rcd 18826 (2003).

With an eroding interstate revenue base, the absence of a fund balance, and the continuing significant growth in IP and VRS demand through 2004, the contribution factor has more than doubled. Dividing the fund requirement of \$ 131.8 million by end user revenues of \$ 77.5 billion produces a factor 0.00170, a little more than twice the current factor of 0.00080. Contribution factor development is also detailed in Exhibit 4.

NECA will continue to carefully monitor the demand for the various TRS services for which the Fund is responsible for reimbursement, and keep the TRS Advisory Council and the Commission informed of actual reported demand levels as compared to forecasts.

IV. Payment Amount Effective Period and Filing Schedule

The payment formulas that NECA files herein are proposed to become effective on July 1, 2003 for interstate traditional TRS and STS, and intrastate and interstate VRS and IP. The payment formulas will remain in effect through June 30, 2004. Exhibit 5 contains the schedule for monthly submission of minutes to NECA, and the disbursement of payment for those minutes.

V. Program Administration

A. Interstate TRS Fund Advisory Council Report

In January 1994, in compliance with section 64.604 of the Commission's rules, NECA formed the Interstate TRS Fund Advisory Council to advise it on interstate TRS cost recovery matters.¹⁹ The advisory council includes non-paid volunteers from the hearing and speech disability community, TRS users (voice and text telephone), state regulators and relay administrators, interstate service providers, and TRS providers. Appendix B, Exhibit 1 contains a listing of current Advisory Council members. In a July 1999 Order, the FCC authorized the addition of a position in the hearing and speech disability community category for a representative from the speech disability

¹⁹ 47 C.F.R. § 64.604(c)(5)(iii)(H).

community.²⁰ This representative joined the Council in November 1999, increasing the membership to thirteen.

In 2002, the Advisory Council held meetings in April, June, and December. At the Council's April 23rd meeting in Washington, DC, NECA staff presented the proposed provider reimbursement rates and the fund size requirement for TRS, IP, STS and VRS and the carrier contribution factor to be filed on May 1, 2002 for the funding and reimbursement period of July 1, 2002 to June 30, 2003. The Council approved the filing.

At the June 27th meeting, also held in Washington, the Council discussed two issues: *relay calls using wireless devices and IP cost recovery.*

At the October 3rd meeting in Boca Raton, Florida, the Council approved the revisions to the TRS Center Data Request for distribution in December 2002, reviewed the IP Cost Recovery Guidelines that were subsequently filed on October 9th, agreed with the addition of international minutes to the monthly minute reports, and received an update on current FCC TRS activities.

Appendix B, Exhibit 2 contains meeting minutes for the April and October 2002 Council meetings.

B. Audit Report

NECA has, to date, conducted 26 audits of TRS providers. Three additional audits of TRS providers' operations will be performed in 2003.

On December 2, 2002, NECA submitted copies of the financial statements of the TRS Fund for the ninth year of operation, together with reports from an independent certified accounting firm in accordance with sections 64.604 (c)(5)(iii) (D) and (H) of the Commission's rules.²¹

The audit of the financial statements for the tenth year of TRS fund operation will commence mid-September 2003. NECA anticipates submission of audited financial statements to the Commission on December 1, 2003.

²⁰ See Appointment of the Telecommunications Relay Services (TRS) Fund Administrator and Composition of the Interstate TRS Advisory Council, CC Docket No. 90-571, Memorandum Opinion and Order, 14 FCC Rcd 10553 (1999).

²¹ 47 C.F.R. § 64.604 (c)(5)(iii)(D) and (H).

VI. Exhibits

This section contains the exhibits referenced previously in this filing.

Exhibit:

1A Displays calculations of TRS cost per minute of use for each center and projected interstate TRS costs by center for 2003 and 2004 using the aggregate data assembled by NECA.

1B Displays calculations of IP cost per minute of use for each center and projected IP costs by center for 2003 and 2004 using the aggregate data assembled by NECA.

1C Displays calculations of the payment formula and traditional TRS and IP national average rate, using the aggregate data assembled by NECA, for July 2003 through June 2004.

1D Displays calculations of Speech to Speech (STS) cost per minute of use for each center and projected interstate STS costs by center for 2003 and 2004, and calculations of the national interstate average rate for July 2003 through June 2004 using the aggregate data assembled by NECA.

1E Displays calculations of Video Relay Service (VRS) cost per minute of use for each center and projected VRS costs by center for 2003 and 2004, and calculations of the national average rate for July 2003 through June 2004 using the aggregate data assembled by NECA.

2 Displays actual Fund performance and projections for the funding period 1993 through June 2004. Each annual period for funding includes twelve monthly increments. In 2000, the period changed from April through the following March to July through the following June. Separate pages, 2, 2A and 2B, display TRS and IP, STS and VRS fund requirements respectively.

- 3 Displays month by month expenses incurred by NECA to administer the TRS Fund.
- 4 Displays total TRS and IP, STS and VRS funding requirements for the period July 2003 through June 2004 and the carrier contribution factor calculation.
- 5 Displays the providers' schedule for reporting interstate TRS, interstate STS and intrastate and interstate VRS and IP minutes of use to NECA, and the schedule for disbursing associated payments for July 2003 through June 2004 For the IP projection,.

TRS Provider 2003 - 2004 Rate Calculation
Traditional Telecommunications Relay Service

Exhibit 1A

Center ID	A Total Minutes Excluding General Assistance	B Total Costs \$\$\$	C Cost/Minute \$\$\$ (B/A)	D Interstate Conversation Minutes	E Interstate Costs \$\$\$ (CxD)
2003					
1	3,853,456	\$7,073,976	\$1.8357	692,751	\$1,271,717
2	4,032,700	\$6,067,597	\$1.5046	606,553	\$912,619
3	1,945,821	\$2,856,750	\$1.4681	338,896	\$497,549
4	2,377,956	\$4,399,020	\$1.8499	357,238	\$660,860
5	6,969,764	\$9,974,543	\$1.4311	1,273,635	\$1,822,720
6	1,283,610	\$3,123,171	\$2.4331	259,524	\$631,452
7	18,770,878	\$23,963,854	\$1.2767	3,335,984	\$4,258,887
8	8,969,633	\$11,394,297	\$1.2703	1,447,832	\$1,839,208
9	2,623,384	\$6,487,625	\$2.4730	579,408	\$1,432,876
10	2,566,389	\$2,908,141	\$1.1332	439,213	\$497,700
11	9,179,650	\$11,482,125	\$1.2508	1,527,434	\$1,910,551
12	8,250,861	\$9,920,865	\$1.2024	1,227,701	\$1,476,192
13	3,158,186	\$5,934,230	\$1.8790	455,591	\$856,056
14	10,107,729	\$9,846,128	\$0.9741	1,714,899	\$1,670,515
15	3,534,078	\$3,483,756	\$0.9858	522,216	\$514,780
16	10,859,425	\$12,898,730	\$1.1878	1,670,346	\$1,984,022
17	3,233,879	\$12,986,370	\$4.0157	166,179	\$667,329
18	1,062,681	\$1,965,060	\$1.8492	140,337	\$259,504
19	17,625,913	\$17,900,223	\$1.0156	2,886,440	\$2,931,361
20	2,543,020	\$2,582,598	\$1.0156	431,166	\$437,877
21	2,210,784	\$2,245,189	\$1.0156	319,916	\$324,895
22	370,898	\$376,669	\$1.0156	146,280	\$148,556
23	1,835,412	\$3,470,064	\$1.8906	355,486	\$672,088
24	792,739	\$2,382,000	\$3.0048	124,758	\$374,868
25	2,939,915	\$3,549,000	\$1.2072	462,603	\$558,443
26	9,062,837	\$14,634,000	\$1.6147	1,425,991	\$2,302,585
27	4,492,721	\$9,076,000	\$2.0202	706,891	\$1,428,030
28	1,932,790	\$4,573,000	\$2.3660	304,092	\$719,485
29	3,088,781	\$5,654,000	\$1.8305	485,911	\$889,458
30	895,259	\$2,114,000	\$2.3613	140,957	\$332,845
31	3,557,676	\$8,966,000	\$2.5202	558,549	\$1,407,645
32	477,855	\$955,844	\$2.0003	87,878	\$175,781
33	803,551	\$2,199,133	\$2.7368	128,568	\$351,861
34	389,567	\$1,646,705	\$4.2270	33,510	\$141,647
Totals	155,799,798	\$229,090,663		25,354,731	\$36,361,963

TRS Provider 2003 - 2004 Rate Calculation
Traditional Telecommunications Relay Service

Exhibit 1A

Center ID	A Total Minutes Excluding General Assistance	B Total Costs \$\$\$	C Cost/Minute \$\$\$ (B/A)	D Interstate Conversation Minutes	E Interstate Costs \$\$\$ (CxD)
2004					
1	731,447	\$2,470,000	\$3.3769	168,171	\$567,891
2	2,692,651	\$5,075,000	\$1.8848	619,299	\$1,167,229
3	8,166,569	\$15,226,000	\$1.8644	1,938,319	\$3,613,861
4	4,109,962	\$9,449,000	\$2.2990	942,507	\$2,166,870
5	1,767,992	\$4,752,000	\$2.6878	406,722	\$1,093,186
6	2,796,902	\$5,886,000	\$2.1045	643,416	\$1,354,050
7	3,249,658	\$9,719,000	\$2.9908	748,457	\$2,238,468
8	6,921,974	\$9,819,393	\$1.4186	1,275,426	\$1,809,297
9	5,605,337	\$7,110,032	\$1.2684	1,133,301	\$1,437,523
10	18,635,770	\$23,429,187	\$1.2572	3,336,284	\$4,194,430
11	8,902,416	\$11,059,997	\$1.2424	1,447,787	\$1,798,671
12	2,601,618	\$6,295,928	\$2.4200	579,368	\$1,402,073
13	2,540,408	\$2,840,347	\$1.1181	434,658	\$485,977
14	9,111,330	\$11,113,162	\$1.2197	1,527,372	\$1,862,947
15	8,187,903	\$10,035,331	\$1.2256	1,227,673	\$1,504,672
16	3,126,607	\$5,556,234	\$1.7771	451,038	\$801,531
17	10,006,658	\$9,285,522	\$0.9279	1,697,754	\$1,575,404
18	3,525,735	\$2,883,752	\$0.8179	539,651	\$441,388
19	10,779,507	\$12,862,288	\$1.1932	1,671,956	\$1,995,006
20	3,864,799	\$13,244,709	\$3.4270	542,639	\$1,859,631
21	1,013,055	\$2,020,657	\$1.9946	93,594	\$186,685
22	1,658,044	\$3,582,424	\$2.1606	319,383	\$690,070
23	6,395,903	\$8,166,721	\$1.2769	993,502	\$1,268,570
24	3,374,913	\$4,674,426	\$1.3851	539,986	\$747,908
25	2,568,451	\$2,269,209	\$0.8835	435,479	\$384,743
26	8,809,295	\$7,786,045	\$0.8838	1,441,352	\$1,273,931
27	2,232,891	\$2,245,189	\$1.0055	323,116	\$324,895
28	388,352	\$343,108	\$0.8835	147,742	\$130,530
29	4,073,027	\$6,551,207	\$1.6084	612,619	\$985,358
30	1,945,821	\$3,066,115	\$1.5757	338,896	\$534,013
31	2,334,606	\$4,686,987	\$2.0076	351,363	\$705,402
32	3,758,891	\$9,103,544	\$2.4219	671,996	\$1,627,487
33	391,452	\$1,684,180	\$4.3024	31,834	\$136,962
Totals	156,269,944	\$234,292,694		27,632,660	\$42,366,660

TRS Provider 2003 - 2004 Rate Calculation
Internet Protocol Relay Service

Exhibit 1B

Center ID	A Total IP Minutes Excl. Gen'l Assist. & Int'l	B Cost/Minute \$\$\$ (C/A)	C Total Costs \$\$\$
2003			
1	3,380,484	\$1.0146	\$3,430,000
2	960,000	\$1.4171	\$1,360,458
3	7,089,120	\$1.1311	\$8,018,512
4	125,062	\$1.0651	\$133,198
5	179,130	\$1.1649	\$208,669
6	4,590,408	\$1.1033	\$5,064,548
7	34,327	\$1.7048	\$58,521
8	792,789	\$2.6538	\$2,103,927
9	49,690	\$1.2814	\$63,674
10	114,876	\$2.6924	\$309,292
11	165,566	\$1.1727	\$194,162
12	1,652,324	\$1.3701	\$2,263,857
13	83,060	\$1.4677	\$121,904
14	1,850,969	\$1.8430	\$3,411,402
15	96,544	\$1.4390	\$138,930
16	489,209	\$1.5159	\$741,602
17	3,824,304	\$1.3641	\$5,216,550
18	23,012	\$2.8107	\$64,679
TOTAL	25,500,874		32,903,885
2004			
1	6,760,161	\$1.0133	\$6,850,000
2	1,120,000	\$1.5920	\$1,783,003
3	9,215,396	\$0.9883	\$9,107,255
4	137,568	\$0.9265	\$127,462
5	214,957	\$1.0134	\$217,839
6	5,508,489	\$0.9598	\$5,287,107
7	144,174	\$1.3797	\$198,912
8	832,429	\$2.8506	\$2,372,951
9	52,174	\$1.2676	\$66,135
10	120,620	\$2.7311	\$329,431
11	173,844	\$1.1606	\$201,756
12	1,734,943	\$1.4211	\$2,465,480
13	87,210	\$1.5738	\$137,251
14	1,943,519	\$1.8863	\$3,666,071
15	101,371	\$1.4643	\$148,440
16	513,669	\$1.5602	\$801,413
17	4,015,524	\$1.4037	\$5,636,412
18	24,162	\$3.5309	\$85,313
TOTAL	32,700,210		\$39,482,231

**TRS Provider 2003 - 2004 Rate Calculation
Combined Traditional TRS & IP Relay Service**

	Trad TRS Interstate Conversation Minutes	IP Conversation Minutes	Trad TRS Interstate Costs \$\$\$	IP Interstate Costs \$\$\$
2003 TOTALS	25,354,731	25,500,874	\$36,361,963	\$32,903,885
2004 TOTALS	27,632,660	32,700,210	\$42,366,660	\$39,482,231
ANNUAL TOTALS	52,987,391	58,201,084	\$78,728,623	\$72,386,116
TOTAL TRS & IP	MINUTES	111,188,475	COSTS	\$151,114,739
DIVIDE TOTAL TRS AND IP MINUTES AND COSTS				
By 2 for the 2003-2004 average		55,594,238		\$75,557,370
Average Cost per Interstate Minute	= <u>Total Interstate Costs</u> Total Interstate Minutes			1.3591

**AVERAGE COST PER TRADITIONAL INTERSTATE AND
INTERNET PROTOCOL (IP) MINUTE
FOR JULY 2003 - JUNE 2004 = \$1.359**

TRS Provider 2003 - 2004 Rate Calculation
Speech to Speech Relay Service

Exhibit 1D

Center ID	A Total Minutes Excluding General	B Total Costs \$\$\$	C Cost/Minute \$\$\$	D Interstate Conversation Minutes	E Interstate Costs \$\$\$
2003					
1	34,352	\$272,091	\$7.9207	5,977	\$47,344
2	8,575	\$14,629	\$1.7060	1,368	\$2,334
3	13,588	\$25,029	\$1.8420	2,616	\$4,819
4	185,074	\$187,955	\$1.0156	33,016	\$33,530
5	51,000	\$102,000	\$2.0000	10,200	\$20,400
6	16,192	\$109,000	\$6.7317	4,328	\$29,137
7	160	\$1,239	\$7.7438	55	\$426
8	132	\$1,022	\$7.7424	67	\$519
9	3,984	\$9,535	\$2.3933	613	\$1,468
10	5,892	\$6,806	\$1.1551	1,000	\$1,155
11	3,672	\$20,380	\$5.5501	615	\$3,415
12	15,861	\$19,717	\$1.2431	2,564	\$3,187
13	41,245	\$135,259	\$3.2794	6,420	\$21,054
14	7,625	\$9,363	\$1.2279	1,316	\$1,616
15	35,626	\$49,107	\$1.3784	6,332	\$8,729
16	10,537	\$12,827	\$1.2173	1,692	\$2,060
17	10,203	\$14,562	\$1.4272	1,701	\$2,428
18	22,727	\$80,158	\$3.5270	3,875	\$13,669
19	4,431	\$8,459	\$1.9090	1,025	\$1,957
20	6,450	\$57,367	\$8.8941	1,304	\$11,599
TOTALS	477,326	\$1,136,505		86,086	\$210,845
2004					
1	135	\$1,109	\$8.2148	68	\$559
2	163	\$1,340	\$8.2209	56	\$460
3	16,233	\$116,000	\$7.1459	4,333	\$30,961
4	41,223	\$297,155	\$7.2085	7,173	\$51,705
5	36,011	\$49,729	\$1.3809	5,745	\$7,933
6	14,946	\$36,334	\$2.4310	2,876	\$6,993
7	51,000	\$102,000	\$2.0000	10,200	\$20,400
8	129,551	\$114,459	\$0.8835	23,111	\$20,419
9	4,182	\$10,767	\$2.5746	644	\$1,657
10	6,187	\$7,060	\$1.1411	1,049	\$1,197
11	3,856	\$21,023	\$5.4520	646	\$3,523
12	16,019	\$20,420	\$1.2747	2,589	\$3,300
13	41,659	\$138,525	\$3.3252	6,485	\$21,565
14	7,701	\$9,555	\$1.2407	1,329	\$1,649
15	35,982	\$50,858	\$1.4134	6,396	\$9,040
16	10,642	\$13,202	\$1.2406	1,710	\$2,121
17	10,304	\$15,175	\$1.4727	1,718	\$2,531
18	22,955	\$81,687	\$3.5586	3,914	\$13,928
19	4,475	\$8,083	\$1.8063	1,035	\$1,869
20	28,169	\$49,602	\$1.7609	5,695	\$10,029
TOTALS	481,393	\$1,144,083		86,772	\$211,839
2003 Totals	477,326	\$1,136,505		86,086	\$210,845
2004 Totals	481,393	\$1,144,083		86,772	\$211,839
TOTALS	958,719	\$2,280,588		172,858	\$422,684
Divide by 2 for the average of the 2 years				86,429	\$211,342
Average cost per interstate minute = Total Interstate Costs/Total Interstate Minutes					\$2.445268

**AVERAGE COST PER STS INTERSTATE MINUTE
FOR JULY 2003 - JUNE 2004 =**

\$2.445

**TRS Provider 2003 - 2004 Rate Calculation
Video Relay Service**

EXHIBIT 1E

Center ID	A Total Minutes Excluding General	B Cost/Minute \$\$\$ (C/A)	C Total Costs \$\$\$
2003			
1	8,548	\$1.7114	\$14,629
2	30,000	\$16.3385	\$490,155
3	45,000	\$25.2498	\$1,136,240
4	31,812	\$13.5233	\$430,204
5	982,235	\$14.6049	\$14,345,398
6	113,773	\$39.4590	\$4,489,366
7	847,233	\$15.9837	\$13,541,945
8	45,197	\$14.1629	\$640,121
9	604,625	\$14.1441	\$8,551,903
10	183,178	\$15.2429	\$2,792,159
TOTAL	2,891,601		\$46,432,120
2004			
1	180,000	\$15.6255	\$2,812,583
2	35,000	\$15.1299	\$529,547
3	46,127	\$17.6752	\$815,305
4	1,964,469	\$10.9291	\$21,469,906
5	227,546	\$29.5942	\$6,734,050
6	1,074,020	\$15.4902	\$16,636,733
7	57,295	\$13.5399	\$775,766
8	766,472	\$13.5327	\$10,372,442
9	232,212	\$14.4844	\$3,363,453
10	35,903	\$1.2173	\$43,705
TOTAL	4,619,044		\$63,553,490

2003 Total	2,891,601	\$46,432,120
2004 Total	4,619,044	\$63,553,490
TOTAL	7,510,645	\$109,985,610

Divide by 2 for the average of the 2 years

3,755,323	\$54,992,805
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Average cost per minute= Total Costs/Total Minutes	\$14.6440
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AVERAGE COST PER VRS MINUTE FOR JULY 2003 - JUNE 2004	
	\$14.644

TRS FUND PERFORMANCE
(Actuals, July 26, 1993 thru April 15, 2003)

Exhibit 2
Page 1 of 3

Date	Receivables	Collections	Refunds	Receivables Due	Expenses	Interest Income	Payment Obligations	Disbursements
1993 Totals	\$19,152,480	\$17,349,362	\$16,850	\$1,819,968	\$490,356	\$66,898	\$9,860,150	\$5,529,230
1994 Totals	\$31,532,185	\$32,111,847	\$8,415	\$1,248,721	\$435,377	\$797,267	\$26,830,588	\$26,462,271
1995 Totals	\$19,770,711	\$20,818,552	\$18,214	\$219,094	\$284,535	\$1,004,836	\$23,734,261	\$24,163,682
1996 Totals	\$26,258,425	\$24,631,915	\$4,051	\$1,849,655	\$328,700	\$624,800	\$36,034,602	\$33,124,807
1997 Totals	\$48,755,747	\$49,581,125	\$36,855	\$1,061,132	\$298,800	\$780,900	\$36,689,286	\$36,110,944
1998 Totals	\$41,615,847	\$40,668,284	\$32,048	\$2,040,743	\$388,500	\$1,355,000	\$38,318,914	\$38,993,717
1999 Totals	\$38,745,304	\$39,871,369	\$33,129	\$947,807	\$348,100	\$1,306,400	\$43,349,529	\$40,028,914
2000 Totals	\$42,563,365	\$41,432,059	\$144,878	\$2,223,991	\$464,400	\$1,724,900	\$48,251,760	\$45,832,004
1/01	\$4,172,253	\$4,489,911	\$13,850	\$1,920,183	\$37,000	\$142,400	\$5,240,357	\$4,133,558
2/01	\$4,153,477	\$1,467,340	\$274,259	\$4,880,579	\$34,600	\$88,700	\$5,272,549	\$4,149,489
3/01	\$4,244,954	\$7,123,696	\$40,378	\$2,042,215	\$31,700	\$168,900	\$5,304,976	\$4,696,918
4/01	\$4,147,052	\$4,344,770	\$41,667	\$1,886,164	\$38,700	\$52,300	\$5,337,640	\$4,045,233
5/01	\$4,249,468	\$6,024,582	\$400	\$111,450	\$45,100	\$81,900	\$5,128,874	\$4,530,583
6/01	\$4,261,379	\$4,179,363	\$40,777	\$234,243	\$12,700	\$76,100	\$5,168,242	\$4,372,895
7/01	\$15,438,131	\$5,514,744	\$52,635	\$10,210,265	\$69,900	\$74,800	\$5,208,095	\$3,898,794
8/01	\$3,391,994	\$9,955,757		\$3,646,502	\$106,200	\$92,000	\$5,186,391	\$3,740,816
9/01	\$3,703,456	\$4,340,122	\$608	\$3,010,444	\$33,600	\$91,600	\$4,716,301	\$3,801,180
10/01	\$3,833,256	\$4,215,841	\$18,926	\$2,646,785	\$31,500	\$80,800	\$5,000,737	\$4,076,822
11/01	\$4,073,102	\$3,803,238	\$2,203	\$2,918,852	\$22,800	\$67,600	\$5,044,152	\$3,661,286
12/01	\$4,068,331	\$4,664,370	\$2,328	\$2,325,141	\$63,600	\$62,700	\$5,093,750	\$3,957,857
2001 Totals	\$59,736,853	\$60,123,734	\$488,031	\$2,325,141	\$527,400	\$1,079,800	\$61,702,063	\$49,065,431
1/02	\$4,624,260	\$4,804,730		\$2,144,671	\$24,500	\$60,000	\$4,403,105	\$3,807,991
2/02	\$4,221,299	\$4,505,791	\$160,259	\$2,020,438	\$24,500	\$53,100	\$4,440,844	\$3,784,268
3/02	\$4,148,898	\$4,488,175	\$837	\$1,681,998	\$59,000	\$60,100	\$4,478,941	\$4,133,682
4/02	\$4,196,983	\$3,939,021	\$3,953	\$1,943,913	\$27,500	\$58,100	\$4,517,410	\$3,785,441
5/02	\$3,899,265	\$4,127,880	\$1,664	\$1,716,962	\$50,200	\$59,500	\$5,033,110	\$3,934,099
6/02	\$4,126,138	\$4,097,222	\$16	\$1,745,894	\$34,100	\$54,600	\$5,076,228	\$6,012,807
7/02	\$18,062,296	\$11,785,249	\$6,446	\$8,029,387	\$37,200	\$56,700	\$5,119,756	\$5,338,790
8/02	\$4,081,020	\$8,139,624		\$3,970,783	\$75,200	\$68,200	\$5,576,577	\$4,753,840
9/02	\$3,743,989	\$5,096,364	\$1,338	\$2,619,746	\$43,100	\$67,400	\$6,753,566	\$6,006,073
10/02	\$4,816,022	\$4,205,735	\$25	\$3,230,058	\$72,500	\$68,100	\$6,761,290	\$6,169,782
11/02	\$4,449,936	\$4,948,321	\$214,690	\$2,946,363	\$42,250	\$56,750	\$6,768,903	\$5,885,236
12/02	\$3,821,813	\$4,663,119	\$4,010	\$2,109,067	\$48,200	\$49,400	\$6,776,608	\$7,395,576
2002	\$64,191,919	\$64,801,231	\$393,238	\$1,943,913	\$538,250	\$711,950	\$65,706,337	\$61,007,585
1/03	\$4,230,840	\$3,830,808	\$2,207	\$2,511,306	\$25,300	\$46,500	\$6,784,409	\$6,653,015
2/03	\$4,323,751	\$4,148,381	\$157,478	\$2,844,154	\$27,700	\$39,200	\$6,792,308	\$7,215,158
3/03	\$4,171,287	\$4,805,330	\$8,106	\$2,218,217	\$26,100	\$38,000	\$6,800,308	\$8,245,028
4/03							\$6,808,414	\$8,122,218
2003	\$12,725,878	\$12,784,519	\$167,791	\$2,218,217	\$79,100	\$123,700	\$27,185,439	\$30,235,419
Totals	\$405,048,714	\$404,173,997	\$1,343,500	\$2,218,217	\$4,183,518	\$9,576,451	\$417,662,929	\$390,554,004

MISCELLANEOUS FUND STATISTICS

of FCC 499A forms used to calculate TRS base: 3,647 Forms + 614 Non-Responders

2002 End user interstate & int'l revenues: \$77,514,120,092

Number of TRS/IP/STS/VRS providers currently receiving reimbursement: 11

**FUND REQUIREMENTS FOR JULY 26, 1993 THRU JUNE 30, 2004
FOR TRADITIONAL TRS L INTRASTATE AND IP MINUTES**

Exhibit 2
2 of 3

Date	Totals	Actual Reported Minutes	Interstate Minutes (IS)	Toll Free Minutes (TF)	900 Min.	Internet Minutes (IP)	IS+TF+900+IP Minutes	Disbursements
1993-1995	39,720,621	39,720,621						\$60,425,008
1996	26,130,966	26,130,966	5,297,804	4,162,226			9,460,030	\$36,034,602
1997-1999	96,750,889	96,750,889	48,719,313	48,031,576			96,750,889	\$114,861,282
2000	38,366,793	38,366,793	19,250,648	19,114,139	2,006		38,366,793	\$49,186,229
Jan 2001		3,536,836	1,778,053	1,758,418	365		3,536,836	\$4,696,918
Feb		3,044,336	1,529,537	1,514,308	491		3,044,336	\$4,042,878
Mar		3,401,631	1,703,712	1,697,456	463		3,401,631	\$4,517,366
Apr		3,265,985	1,737,127	1,528,457	401		3,265,985	\$4,337,228
May		2,904,828	1,307,577	1,595,836	1,415		2,904,828	\$3,857,612
June	18,941,170	2,787,554	1,231,671	1,555,384	499		2,787,554	\$3,701,872
7/00-6/01	38,131,275							
July		2,888,847	1,230,081	1,657,221	1,545		2,888,847	\$3,781,501
Aug		2,910,131	1,175,628	1,734,005	498		2,910,131	\$4,059,633
Sep		2,613,840	1,139,561	1,473,562	717		2,613,840	\$3,646,307
Oct		2,820,873	1,120,557	1,699,715	601		2,820,873	\$3,935,118
Nov		2,713,440	1,108,473	1,604,482	485		2,713,440	\$3,785,249
Dec 2001	16,642,475	2,695,344	1,147,973	1,546,822	549		2,695,344	\$3,760,005
1/01-12/01	35,583,645							
Jan 2002		2,896,590	1,133,465	1,762,683	442		2,896,590	\$4,040,743
Feb		2,603,678	1,007,123	1,596,234	321		2,603,678	\$3,632,131
Mar		2,827,797	1,148,496	1,679,085	216		2,827,797	\$3,944,777
Apr		2,681,529	1,049,235	1,631,982	312		2,681,529	\$3,740,733
May		2,738,250	1,118,776	1,619,212	262		2,738,250	\$3,819,859
June 2002	16,904,908	3,157,064	1,019,998	1,426,561	151	710,354	3,157,064	\$4,404,104
7/01-6/02	33,547,383							
July 2002		3,374,214	1,070,122	1,329,367	287	974,438	3,374,214	\$4,976,535
Aug		3,545,921	1,029,672	1,301,612	229	1,214,408	3,545,921	\$5,418,167
Sept		3,432,585	969,050	1,214,787	161	1,248,587	3,432,585	\$5,244,990
Oct		4,287,189	1,186,240	1,581,334	287	1,519,328	4,287,189	\$5,809,661
Nov		3,840,829	1,011,637	1,180,742	156	1,648,294	3,840,829	\$5,868,787
Dec 2002	22,767,003	4,286,265	1,057,876	1,204,059	106	2,024,224	4,286,265	\$6,549,413
1/02-12/02	39,671,911							
Jan 2003		4,881,357	1,013,405	1,338,161	286	2,529,505	4,881,357	\$7,458,713
Feb		4,814,194	912,444	1,178,606	237	2,722,907	4,814,194	\$7,356,088

**FUND REQUIREMENTS FOR JULY 26, 1993 THRU JUNE 30, 2004
FOR TRADITIONAL TRS INTERSTATE AND IP MINUTES**

Exhibit 2
2 of 3

Date		Projected Minutes (Growth rate: -- .012/mo.)	Projected Interstate	Projected Toll Free	Proj. 900	Projected Internet Growth Rate: .023/mo	Total Projected	Projected Payment Obligations
Mar		4,911,313	1,001,244	1,322,103	283	2,587,684	4,911,313	\$7,504,487
Apr		4,942,947	989,229	1,306,238	279	2,647,200	4,942,947	\$7,552,822
May		4,976,283	977,358	1,290,563	276	2,708,086	4,976,283	\$7,603,761
June 2003	29,537,445	5,011,351	965,630	1,275,076	273	2,770,372	5,011,351	\$7,657,344
7/02-6/03	52,304,448							
Date		Projected Minutes (Growth rate: -- .012/mo.)	Projected Interstate	Projected Toll Free	Proj. 900	Projected Internet Growth Rate: .023/mo	Total Projected	Projected Payment Obligations
July 2003		4,636,078	954,043	1,259,775	269	2,421,991	4,636,078	\$6,300,430
Aug		4,665,215	942,594	1,244,658	266	2,477,697	4,665,215	\$6,340,027
Sept		4,695,952	931,283	1,229,722	263	2,534,684	4,695,952	\$6,381,798
Oct		4,728,314	920,108	1,214,965	260	2,592,982	4,728,314	\$6,425,779
Nov		4,762,329	909,066	1,200,386	257	2,652,620	4,762,329	\$6,472,005
Dec 2003	28,285,910	4,798,023	898,157	1,185,981	253	2,713,630	4,798,023	\$6,520,513
1/03-12/03	57,823,355							
Jan 2004		4,773,010	887,380	1,171,749	250	2,713,630	4,773,010	\$6,486,520
Feb		4,810,711	876,731	1,157,688	247	2,776,044	4,810,711	\$6,537,756
Mar		4,850,144	866,210	1,143,796	244	2,839,893	4,850,144	\$6,591,345
Apr		4,891,338	855,816	1,130,071	242	2,905,210	4,891,338	\$6,647,329
May		4,934,325	845,546	1,116,510	239	2,972,030	4,934,325	\$6,705,747
June 2004	29,238,661	4,979,134	835,399	1,103,112	236	3,040,387	4,979,134	\$6,766,643
7/03-6/04	57,524,572							
Totals	334,048,245	57,524,572	10,722,333	14,158,414	3,026	32,640,798	57,524,572	\$78,175,893
	7/93 - 6/04	7/03 - 6/04						

FUND REQUIREMENTS FOR MARCH 1, 2001 THRU JUNE 30, 2004

FOR SPEECH TO SPEECH INTERSTATE MINUTES

Date	Totals	Actual Reported Minutes	Interstate Minutes (IS)	Toll Free (TF) Minutes	900 Min.	IS+TF+900 Minutes	Disbursements	
Jan 2001		0	0	0	0	0	\$0	
Feb		0	0	0	0	0	\$0	
Mar		613	80	533	0	613	\$2,834	
Apr		7,715	1,706	6,009	0	7,715	\$35,666	
May		8,908	3,204	5,704	0	8,908	\$41,182	
June	25,660	8,424	2,539	5,885	0	8,424	\$38,944	
July		7,511	2,281	5,230	0	7,511	\$19,679	
Aug		6,962	1,714	5,248	0	6,962	\$17,189	
Sep		6,067	1,579	4,488	0	6,067	\$14,979	
Oct		9,210	2,772	6,438	0	9,210	\$22,739	
Nov		9,211	2,859	6,352	0	9,211	\$22,742	
Dec 2001	74,448	9,827	2,384	7,443	0	9,827	\$24,263	
Jan 2002		9,548	2,953	6,595	0	9,548	\$23,574	
Feb		12,081	7,293	4,788	0	12,081	\$29,828	
Mar		10,852	5,849	5,002	1	10,852	\$26,794	
Apr		9,254	3,062	6,192	0	9,254	\$22,848	
May		6,198	1,525	4,665	8	6,198	\$15,303	
June 2002	51,612	3,679	1,812	1,867	0	3,679	\$9,083	
7/01-6/02	100,400							
July 2002		5,801	1,334	4,467	0	5,801	\$23,465	
Aug		7,175	2,282	4,893	0	7,175	\$29,023	
Sept		1,391	(2,348)	3,739	0	1,391	\$12,240	
Oct		6,958	1,743	5,215	0	6,958	\$28,145	
Nov		7,699	1,791	5,894	14	7,699	\$31,142	
Dec 2002	88,920	8,284	2,290	5,994	0	8,284	\$33,509	
Jan 2003		9,778	2,987	6,791	0	9,778	\$39,552	
Feb		7,843	1,446	6,397	0	7,843	\$31,725	
Date		Projected Minutes	Providers' Projection	Projected Interstate Minutes	Projected Toll Free Minutes	Proj. 900 Min.	Projected IS+TF+900 Minutes	Projected Payment Obligations
(Industry growth rate: .0365/mo.)								(@4.045/min.)
Mar		8,129		1,499	6,630	0	8,129	\$32,883
Apr		8,426		1,553	6,873	0	8,426	\$34,083
May		8,734		1,610	7,123	0	8,734	\$35,327
June 2003	51,962	9,052		1,669	7,383	0	9,052	\$36,617
7/02-6/03	89,270							
Date		Projected Minutes	Providers' Projection	Projected Interstate Minutes	Projected Toll Free Minutes	Proj. 900 Min.	Projected IS+TF+900 Minutes	Projected Payment Obligations
(Industry growth rate: .0365/mo.)								(Proj. Min. *2.443)
July 2003		9,383		1,730	7,653	0	9,383	\$22,941
Aug		9,725		1,793	7,932	0	9,725	\$23,778
Sept		10,080		1,858	8,222	0	10,080	\$24,646
Oct		10,448		1,926	8,522	0	10,448	\$25,546
Nov		10,829		1,997	8,833	0	10,829	\$26,478
Dec 2003	113,652	11,225		2,069	9,155	0	11,225	\$27,444
Jan 2004		11,634		2,145	9,489	0	11,634	\$28,446
Feb		12,059		2,223	9,836	0	12,059	\$29,484
Mar		12,499		2,304	10,195	0	12,499	\$30,561
Apr		12,955		2,389	10,567	0	12,955	\$31,676
May		13,428		2,476	10,953	0	13,428	\$32,832
June 2004	76,495	13,918		2,566	11,352	0	13,918	\$34,031
7/03-6/04	138,185							
Totals	290,939	138,185	86,429	25,477	112,708	0	138,185	\$337,863
3/01 - 6/04		7/03 - 6/04	Exh. 1 D Avg. '03/'04 minutes					

**FUND REQUIREMENTS FOR OCTOBER 1, 2000 THRU JUNE 30, 2004
FOR VIDEO RELAY SERVICE MINUTES**

Exhibit 2
Page 2B of 3

Date	Totals	Actual Reported Minutes	Intrastate Min. (IN)	Interstate Min. (IS)	Toll Free Min. (TF)	900 Min.	IN+IS+TF + 900 Min.	Disburse- ments	
2000	256	256	0	256	0	0	256	\$1,31	
2001	0	0						\$	
Jan 2002		7,215	3,289	1,634	2,292	0	7,215	\$69,36	
Feb		12,844	5,551	2,865	4,428	0	12,844	\$123,48	
Mar		24,879	10,911	6,145	7,823	0	24,879	\$239,18	
Apr		27,539	11,557	6,409	9,568	5	27,539	\$264,76	
May		33,314	14,385	7,256	11,673	0	33,314	\$320,28	
June 2002	141,224	35,433	13,341	10,066	12,026	0	35,433	\$340,65	
7/01-6/02	141,224								
July 2002		59,028	18,949	23,580	16,499	0	59,028	\$1,006,13	
Aug		62,642	25,629	16,294	20,719	0	62,642	\$1,067,73	
Sept		80,201	32,558	22,568	25,074	1	80,201	\$1,367,02	
Oct		92,147	32,110	30,442	29,595	0	92,147	\$1,570,64	
Nov		94,811	35,992	31,448	27,371	0	94,811	\$1,616,05	
Dec 2002*	491,597	102,768	36,287	33,832	32,649	0	102,768	\$1,751,68	
1/02-12/02	632,821								
Jan 2003		128,114	44,961	47,585	35,565	3	128,114	\$2,183,70	
Feb		133,985	45,037	50,522	38,426	0	133,985	\$2,283,77	
Mar		159,469	54,300	56,594	48,572	3	159,469	\$2,718,14	
Date		Projected Minutes	Providers' Projection	Projected Intrastate	Projected Interstate	Projected Toll Free	Proj 900	Total Projected	Projected Payment Obligations
Growth rate: .025/mo.									(Prov. Proj.*17.0
Apr		163,456		55,658	58,009	49,786	3	163,456	\$2,785,93
May		167,542		57,049	59,459	51,031	3	167,542	\$2,855,58
June 2003	924,297	171,731		58,475	60,946	52,307	3	171,731	\$2,926,97
7/02-6/03	1,415,894								
Date		Projected Minutes	Providers' Projection	Projected Intrastate	Projected Interstate	Projected Toll Free	Proj 900	Total Projected	Projected Payment Obligations
Growth rate: .025/mo.									(Prov. Proj.*14.6
July 2003		176,024		59,937	62,469	53,614	3	176,024	\$2,577,69
Aug		180,425		61,435	64,031	54,955	3	180,425	\$2,642,13
Sept		184,935		62,971	65,632	56,329	3	184,935	\$2,708,19
Oct		189,559		64,546	67,272	57,737	4	189,559	\$2,775,89
Nov		194,297		66,159	68,954	59,180	4	194,297	\$2,845,29
Dec 2003	1,124,395	199,155		67,813	70,678	60,660	4	199,155	\$2,916,42
1/03-12/03	2,048,691								
Jan 2004		204,134		69,509	72,445	62,176	4	204,134	\$2,989,33
Feb		209,237		71,246	74,256	63,731	4	209,237	\$3,064,06
Mar		214,468		73,027	76,113	65,324	4	214,468	\$3,140,67
Apr		219,830		74,853	78,015	66,957	4	219,830	\$3,219,18
May		225,326		76,724	79,966	68,631	4	225,326	\$3,299,66
June 2004	1,303,953	230,959		78,643	81,965	70,347	4	230,959	\$3,382,15
7/03-6/04	2,428,348								
Totals	2,920,201	2,428,348	3,755,323	497,005	491,278	427,594	916	1,415,894	\$35,560,722
10/00 - 6/04 7/03-6/04 Exh. 1 E Avg. '03/'04 minutes									

provider began offering VRS.

TRS FUND PERFORMANCE AND PROJECTIONS
(July 26, 1993 thru June 30, 2004)

Exhibit 2
Page 3 of 3

Date	Receivables	Collections	Refunds	Receivables Due	Expenses	Interest Income	Payment Obligations	Disbursements
1993 Totals	\$19,152,480	\$17,349,362	\$16,850	\$1,819,968	\$490,356	\$66,898	\$9,860,160	\$5,529,230
1994 Totals	\$31,532,185	\$32,111,847	\$8,415	\$1,248,721	\$435,377	\$797,267	\$26,830,588	\$26,462,271
1995 Totals	\$19,770,711	\$20,818,552	\$18,214	\$219,094	\$284,535	\$1,004,835	\$23,734,261	\$24,163,682
1996 Totals	\$26,258,425	\$24,631,915	\$4,051	\$1,849,655	\$328,700	\$624,800	\$36,034,602	\$33,124,807
1997 Totals	\$48,755,747	\$49,581,125	\$36,855	\$1,061,132	\$298,800	\$781,500	\$36,689,287	\$36,110,944
1998 Totals	\$41,615,847	\$40,668,284	\$32,048	\$2,040,743	\$388,500	\$1,355,000	\$38,318,914	\$38,993,717
1999 Totals	\$38,745,304	\$39,871,369	\$33,129	\$947,807	\$348,100	\$1,306,400	\$43,349,531	\$40,028,914
2000 Totals	\$42,563,365	\$41,432,059	\$144,878	\$2,223,991	\$464,400	\$1,724,900	\$48,251,759	\$45,832,004
1/01	4,172,253	4,489,911	13,850	1,920,183	37,000	142,400	5,240,357	4,133,558
2/01	4,153,477	1,467,340	274,259	4,880,579	34,600	88,700	5,272,549	4,149,489
3/01	4,244,954	7,123,696	40,378	2,042,215	31,700	168,900	5,304,976	4,696,918
4/01	4,147,052	4,344,770	41,667	1,886,164	38,700	52,300	5,337,640	4,045,233
5/01	4,249,468	6,024,582	400	111,450	45,100	81,900	5,128,874	4,530,583
6/01	4,261,379	4,179,363	40,777	234,243	12,700	76,100	5,168,242	4,372,895
7/01	15,438,131	5,514,744	52,635	10,210,265	69,900	74,800	5,208,095	3,898,794
8/01	3,391,994	9,955,757	0	3,646,502	106,200	92,000	5,186,391	3,740,816
9/01	3,703,456	4,340,122	608	3,010,444	33,600	91,600	4,716,301	3,801,180
10/01	3,833,256	4,215,841	18,926	2,646,785	31,500	80,800	5,000,737	4,076,822
11/01	4,073,102	3,803,238	2,203	2,918,852	22,800	67,600	5,044,152	3,661,286
12/01	4,068,331	4,664,370	2,328	2,325,141	63,600	62,700	5,093,750	3,957,857
2001 Totals	\$59,736,853	\$60,123,734	\$488,031	\$2,325,141	\$527,400	\$1,079,800	\$61,702,063	\$49,065,431
1/02	4,624,260	4,804,730		2,144,671	24,500	60,000	4,403,105	3,807,991
2/02	4,221,299	4,505,791	160,259	2,020,438	24,500	53,100	4,440,844	3,784,268
3/02	4,148,898	4,488,175	837	1,681,998	59,000	60,100	4,478,941	4,133,682
4/02	4,196,983	3,939,021	3,953	1,943,913	27,500	58,100	4,517,410	3,785,441
5/02	3,899,265	4,127,880	1,664	1,716,962	50,200	59,500	5,033,110	3,934,099
6/02	4,126,138	4,097,222	16	1,745,894	34,100	54,600	5,076,228	6,012,807
7/02	18,062,296	11,785,249	6,446	8,029,387	37,200	56,700	5,119,756	5,338,790
8/02	4,081,020	8,139,624		3,970,783	75,200	68,200	5,576,577	4,753,840
9/02	3,743,989	5,096,364	1,338	2,619,746	43,100	67,400	6,753,566	6,006,073
10/02	4,816,022	4,205,735	25	3,230,058	72,500	68,100	6,761,290	6,169,782
11/02	4,449,936	4,948,321	214,690	2,946,363	42,250	56,750	6,768,903	5,885,236
12/02	3,821,813	4,663,119	4,010	2,109,067	48,200	49,400	6,776,608	7,395,576
2002 Totals	\$64,191,919	\$64,801,231	\$393,238	\$2,109,067	\$538,250	\$711,950	\$65,706,338	\$61,007,585